

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of DeTour	County Chippewa
Audit Date March 31, 2004	Opinion Date May 28, 2004	Date Accountant Report Submitted to State: May 28, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan, as revised, by the Michigan Department of Treasury.

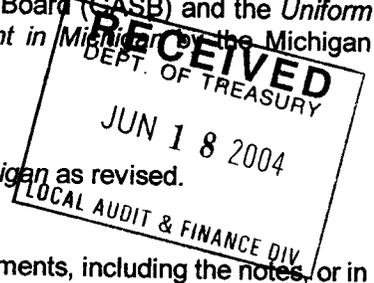
We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan*, as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- yes no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- yes no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- yes no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- yes no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- yes no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- yes no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- yes no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- yes no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- yes no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).



We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.				
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI	Zip 48707
Accountant Signature <i>Campbell, Kusterer & Co., P.C.</i>				

VILLAGE OF DETOUR
Chippewa County, Michigan

RECEIVED
RECEIVED
GENERAL PURPOSE FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
JUN 18 2004
JUN 18 2004 Year Ended March 31, 2004

VILLAGE OF DETOUR
Chippewa County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

May 28, 2004

To the Village Council
Village of DeTour
Chippewa County, Michigan

We have audited the accompanying general purpose financial statements of the Village of DeTour, Chippewa County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Village of DeTour's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Village has not maintained a record of its general fixed assets, and accordingly, a statement of general fixed assets, required by generally accepted accounting principles, is not included in the general purpose financial statements.

In our opinion, except that the omission of the financial statement described above results in an incomplete presentation, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of DeTour, Chippewa County, Michigan, as of March 31, 2004, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting standards generally accepted in the United States.

The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Village of DeTour, Chippewa County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

VILLAGE OF DETOUR
Chippewa County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS
March 31, 2004

EXHIBIT A

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>
<u>Assets</u>			
Cash in bank			
Cash on hand	172 223 55	111 243 00	30 610 58
Accounts receivable	100 00	-	-
Taxes receivable	-	2 434 00	-
Due from other units	7 485 59	-	2 805 92
Cash in bank – restricted	-	13 660 98	-
Property, mains and equipment	-	-	-
Accumulated depreciation	-	-	-
Amount available for retirement of general long-term debt	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-
	-	-	-
Total Assets	<u><u>179 809 14</u></u>	<u><u>127 337 98</u></u>	<u><u>33 416 50</u></u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Accounts payable	2 130 30	-	-
Bonds payable	-	-	-
Contracts payable	-	-	-
Total liabilities	<u><u>2 130 30</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Fund equity:			
Contributed capital	-	-	-
Retained earnings:			
Reserved	-	-	-
Unreserved	-	-	-
Fund balances:			
Reserved:			
Debt service	-	-	-
Unreserved:			33 416 50
Undesignated	177 678 84	127 337 98	-
Total fund equity	<u><u>177 678 84</u></u>	<u><u>127 337 98</u></u>	<u><u>33 416 50</u></u>
Total Liabilities and Fund Equity	<u><u>179 809 14</u></u>	<u><u>127 337 98</u></u>	<u><u>33 416 50</u></u>

The accompanying notes are an integral part of these financial statements.

<u>Proprietary Fund Type</u>	<u>Account Group</u>	<u>Total (Memorandum Only)</u>
<u>Enterprise</u>	<u>General Long- Term Debt</u>	
18 800 43	-	332 877 56
100 00	-	200 00
-	-	2 434 00
11 428 01	-	21 719 52
-	-	13 660 98
75 400 43	-	75 400 43
4 720 225 84	-	4 720 225 84
(1 392 082 00)	-	(1 392 082 00)
-	33 416 50	33 416 50
-	<u>323 213 50</u>	<u>323 213 50</u>
<u>3 433 872 71</u>	<u>356 630 00</u>	<u>4 131 066 33</u>
-	280 000 00	2 130 30
299 000 00	76 630 00	579 000 00
-	-	76 630 00
<u>299 000 00</u>	<u>356 630 00</u>	<u>657 760 30</u>
2 918 892 00	-	2 918 892 00
75 400 43	-	75 400 43
140 580 28	-	140 580 28
-	-	33 416 50
-	-	305 016 82
<u>3 134 872 71</u>	<u>-</u>	<u>3 473 306 03</u>
<u>3 433 872 71</u>	<u>356 680 00</u>	<u>4 131 066 33</u>

VILLAGE OF DETOUR
Chippewa County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B
Page 1

	<u>Governmental Fund Types</u>			<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Revenues:				
Property taxes	134 098 83	-	45 205 18	179 304 01
Licenses and permits	3 917 62	-	-	3 917 62
Federal grant	42 900 36	-	-	42 900 36
State revenue sharing	36 398 00	78 221 88	-	114 619 88
Charges for services	47 935 30	-	-	47 935 30
Interest	1 989 92	661 23	330 64	2 981 79
Miscellaneous	26 917 20	2 613 65	-	29 530 85
Total revenues	294 157 23	81 496 76	45 535 82	421 189 81
Expenditures:				
Legislative:				
Village Council	3 929 16	-	-	3 929 16
General government:				
Elections	1 080 80	-	-	1 080 80
Assessor	100 00	-	-	100 00
Clerk	4 732 53	-	-	4 732 53
Treasurer	7 558 23	-	-	7 558 23
Building and grounds	18 531 80	-	-	18 531 80
Village hall	15 618 66	-	-	15 618 66
Accounting	15 531 07	-	-	15 531 07
Attorney	1 600 80	-	-	1 600 80
Unallocated	43 469 51	-	-	43 469 51
Public safety:				
Ambulance	29 018 02	-	-	29 018 02
Fire protection	60 488 21	-	-	60 488 21
Public works:				
Highways and streets	-	57 721 78	-	57 721 78
Public works	54 362 32	-	-	54 362 32
Debt service	19 256 28	-	46 208 32	65 464 60

The accompanying notes are an integral part of these financial statements.

VILLAGE OF DETOUR
Chippewa County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B
Page 2

	<u>Governmental Fund Types</u>			<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Total expenditures	<u>275 277 39</u>	<u>57 721 78</u>	<u>46 208 32</u>	<u>379 207 49</u>
Excess (deficiency) of revenues over expenditures	<u>18 879 84</u>	<u>23 774 98</u>	<u>(672 50)</u>	<u>41 982 32</u>
Other financing sources (uses):				
Operating transfers in	-	13 686 43	-	13 686 43
Operating transfers out	<u>(1 135 00)</u>	<u>(12 551 43)</u>	-	<u>(13 686 43)</u>
Total other financing sources (uses)	<u>(1 135 00)</u>	<u>1 135 00</u>	-	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	17 744 84	24 909 98	(672 50)	41 982 32
Fund balances, April 1	<u>159 934 00</u>	<u>102 428 00</u>	<u>34 089 00</u>	<u>296 451 00</u>
Fund Balances, March 31	<u><u>177 678 84</u></u>	<u><u>127 337 98</u></u>	<u><u>33 416 50</u></u>	<u><u>338 433 32</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF DETOUR
Chippewa County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
GENERAL AND SPECIAL REVENUE FUNDS

Year Ended March 31, 2004

EXHIBIT C
Page 1

	General Fund		
	Budget	Actual	Over (Under) Budget
Revenues:			
Property taxes	130 000 00	134 098 83	4 098 83
Licenses and permits	5 500 00	3 917 62	(1 582 38)
Federal grant	-	42 900 36	42 900 36
State revenue sharing	30 000 00	36 398 00	6 398 00
Charges for services	68 000 00	47 935 30	(20 064 70)
Interest	2 000 00	1 989 92	(10 08)
Special assessments	-	-	-
Miscellaneous	19 000 00	26 917 20	7 917 20
Total revenues	<u>254 500 00</u>	<u>294 157 23</u>	<u>39 657 23</u>
Expenditures:			
Legislative:			
Village Council	4 020 00	3 929 16	(90 84)
General government:			
Elections	900 00	1 080 80	180 80
Assessor	100 00	100 00	-
Clerk	5 050 00	4 732 53	(317 47)
Treasurer	8 100 00	7 558 23	(541 77)
Building and grounds	25 600 00	18 531 80	(7 068 20)
Village hall	23 950 00	15 618 66	(8 331 34)
Accounting	16 600 00	15 531 07	(1 068 93)
Attorney	1 800 00	1 600 80	(199 20)
Unallocated	42 300 00	43 469 51	1 169 51
Public safety:			
Ambulance	27 155 00	29 018 02	1 863 02
Fire protection	17 275 00	60 488 21	43 213 21
Public works:			
Highways and streets	-	-	-
Public works	62 650 00	54 362 32	(8 287 68)
Other:			
Debt service	19 000 00	19 256 28	256 28

The accompanying notes are an integral part of these financial statements.

VILLAGE OF DETOUR
Chippewa County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
GENERAL AND SPECIAL REVENUE FUNDS

Year Ended March 31, 2004

EXHIBIT C
Page 2

	<u>General Fund</u>		Over (Under) Budget
	<u>Budget</u>	<u>Actual</u>	
Total expenditures	<u>254 500 00</u>	<u>275 277 39</u>	<u>20 777 39</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>18 879 84</u>	<u>18 879 84</u>
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	<u>-</u>	<u>(1 135 00)</u>	<u>(1 135 00)</u>
Total other financing sources (uses)	<u>-</u>	<u>(1 135 00)</u>	<u>(1 135 00)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	-	17 744 84	17 744 84
Fund balances, April 1	<u>-</u>	<u>159 934 00</u>	<u>159 934 00</u>
Fund Balances, March 31	<u>-</u>	<u>177 678 84</u>	<u>177 678 84</u>

The accompanying notes are an integral part of these financial statements.

Special Revenue Fund

<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<u>81 300 00</u>	<u>57 721 78</u>	<u>(23 578 22)</u>
<u>(1 000 00)</u>	<u>23 774 98</u>	<u>24 774 98</u>
13 000 00	13 686 43	686 43
<u>(12 000 00)</u>	<u>(12 551 43)</u>	<u>(551 43)</u>
<u>1 000 00</u>	<u>1 135 00</u>	<u>135 00</u>
-	24 909 98	24 909 98
<u>-</u>	<u>102 428 00</u>	<u>102 428 00</u>
<u>-</u>	<u>127 337 98</u>	<u>127 337 98</u>

VILLAGE OF DETOUR
Chippewa County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN RETAINED EARNINGS – ALL PROPRIETARY FUND TYPES EXHIBIT D
Year Ended March 31, 2004

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating revenues:	
Services charges	149 049 38
Hydrant rental	19 600 00
Miscellaneous	<u>6 157 63</u>
Total operating revenues	<u>174 807 01</u>
Less operating expenses:	
Wages	55 763 56
Fringe benefits	20 939 77
Insurance	8 367 25
Supplies	21 824 86
Repairs and maintenance	13 038 21
Contracted services	1 100 00
Utilities	9 644 95
Miscellaneous	<u>539 98</u>
Total operating expenses before depreciation	<u>131 218 58</u>
Operating income (loss) before depreciation	43 588 43
Less: depreciation	<u>(60 732 00)</u>
Operating income (loss)	<u>(17 143 57)</u>
Nonoperating revenues and (expenses):	
Amortization	50 250 00
Interest income	1 971 13
Interest expense	<u>(15 760 85)</u>
Total nonoperating revenues and (expenses)	<u>36 460 28</u>
Net income (loss)	19 316 71
Retained earnings/fund balances, April 1	<u>196 664 00</u>
Retained Earnings/Fund Balances, March 31	<u>215 980 71</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF DETOUR
Chippewa County, Michigan

COMBINED STATEMENT OF CASH FLOWS – ALL PROPRIETARY FUND TYPES
Year Ended March 31, 2004

EXHIBIT E

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Cash flows from operating activities:	
Cash received from customers	137 945 53
Cash payments to suppliers for goods and services	(75 455 02)
Cash payments to employees for services	(55 763 56)
Other operating receipts	25 757 63
Net cash provided (used) for operating activities	<u>32 484 58</u>
Cash flows from capital and related financing activities:	
Principal paid on bonds	(16 000 00)
Interest paid on loans and bonds	(15 760 85)
Net cash provided (used) for capital and related financing activities	<u>(31 760 85)</u>
Cash flows from investing activities:	
Interest income	1 971 13
Net cash provided (used) for investing activities	<u>1 971 13</u>
Net increase (decrease) in cash and cash equivalents	2 694 86
Cash and cash equivalents, April 1	<u>91 606 00</u>
Cash and Cash Equivalents, March 31	<u>94 300 86</u>
Reconciliation of operating income to net provided (used) for operating activities:	
Operating income (loss)	(17 143 57)
Depreciation	60 732 00
Increase (decrease) in assets and liabilities:	
Accounts receivable	(11 103 85)
Net Cash Provided (Used) for Operating Activities	<u>32 484 58</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF DETOUR
Chippewa County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Village of DeTour, Chippewa County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Village contain all the Village funds and account groups that are controlled by or dependent on the Village's executive or legislative branches.

The reporting entity is the Village of DeTour. The Village is governed by an elected Village Council. As required by generally accepted accounting principles, these financial statements present the Village as the primary government.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

Governmental Funds

General Fund

This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Debt Service Fund

This fund is used to account for general long-term debt transactions.

Proprietary Funds

VILLAGE OF DETOUR
Chippewa County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Enterprise Funds

Enterprise funds report operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

Account Group

General Long-Term Debt Account Group

This account group is used to account for outstanding principal balances on general long-term debt.

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

VILLAGE OF DETOUR
Chippewa County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus/Basis of Accounting (continued)

The proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Fund equity is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present revenues and expenses in net total assets. The accrual basis of accounting is utilized by the proprietary fund types. Under this basis of accounting revenues are recognized when earned and expenses are recognized when the related liability is incurred.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of July 1 and the related property taxes become a lien on March 1 of the following year. These taxes are due on September 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2003 Village tax roll millage rate was 13.9379 mills and the taxable value was \$11,896,800.00.

Fixed Assets and Depreciation

Purchases of general fixed assets for all funds, other than the Enterprise Funds are recorded as expenditures in the respective funds at the time of purchase. The Village has not maintained a record of its general fixed assets which is required by generally accepted accounting principles.

Property, mains and equipment, in the Enterprise Funds, are stated at cost. Additions, improvements and major replacements are capitalized at cost. Maintenance, repairs and minor replacements are charged to expense as incurred. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

Investments

Investments are stated at market.

VILLAGE OF DETOUR
Chippewa County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Receivables

Receivables have been recognized for all significant amounts due to the Village. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Village Council for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Village Council.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Village Council.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.

VILLAGE OF DETOUR
Chippewa County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Village Council during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Postemployment Benefits

The Village provides no postemployment benefits to past employees.

Note 2 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Village to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Village Council has designated three banks for the deposit of Village funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Village's deposits and investments are in accordance with statutory authority.

VILLAGE OF DETOUR
Chippewa County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 2 – Deposits and Investments (continued)

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	Carrying Amounts
Total Deposits	408 277 99

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	Bank Balances
Insured (FDIC)	168 168 21
Uninsured and Uncollateralized	241 158 38
Total Deposits	409 326 59

The Village of DeTour did not have any investments as of March 31, 2004.

Note 3 – Budget Variances

Public Act 261 of 1978 requires that a municipality shall not incur expenditures in excess of the amount appropriated. The approved budget of the Village for the General Fund was adopted on an activity level, and amended periodically by the Village Council. During the year ended March 31, 2004, the Village incurred expenditures in certain activities which were in excess of the amounts appropriated.

	Total Budget	Total Expenditures	Budget Variance
<u>Fund/Activity</u>			
General Fund:			
Elections	900 00	1 080 80	180 80
Unallocated	42 300 00	43 469 51	1 169 51
Ambulance	27 155 00	29 018 02	1 863 02
Fire protection	17 275 00	60 488 21	43 213 21
Debt service	19 000 00	19 256 28	256 28

VILLAGE OF DETOUR
Chippewa County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 4 – Restricted Assets and Retained Earnings – Reserved

In accordance with Village ordinances, specific assets of the Water Fund and Sewer Fund have been restricted for the funding of required reserves. These reserves have been established to provide for the revenue bond debt service and replacement of fixed assets.

The following is a composition of the restricted assets as of March 31, 2004.

	<u>Water Fund</u>	<u>Sewer Fund</u>
Cash in bank:		
Bond Reserve Account	13 483 24	47 259 44
Bond and Interest Redemption Account	<u>8 013 25</u>	<u>6 644 52</u>
Total	<u>21 496 49</u>	<u>53 903 96</u>

Bond Requirements

Water Supply System: Bonds maturing the years 1983 to 2012 inclusive, will be subject to redemption prior to maturity, in inverse numerical order, on any interest payment date on or after January 1, 1982, at par and accrued interest to the date of redemption.

The governing ordinance requires the Village to make quarterly deposits in an account designated "Bond and Interest Redemption Fund," an amount sufficient to pay at least one-half of the amount of the interest due on the next ensuing interest due date and one-fourth of the amount of the principal due each January 1.

In addition, the Village is required to deposit in an account designated "Bond Reserve Account," \$125 each quarter until there is accumulated the sum of \$10,000. Such funds are to be used for payment of bonds and interest as to which would otherwise be default.

Sanitary Sewer System: Bonds maturing in the years 1991 to 2018 inclusive, will be subject to redemption prior to maturity, in the inverse numerical order, on any interest payment date on or after January 1, 1990, at par and accrued interest date fixed for redemption.

The governing ordinance requires the Village to make quarterly deposits in an account designated "Bond and Interest Redemption Fund," an amount sufficient to pay at least one-half of the amount of the interest due on the next ensuing interest due date and one-fourth of the amount of the principal due each January 1.

VILLAGE OF DETOUR
Chippewa County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 4 – Restricted Assets and Retained Earnings – Reserved (continued)

In addition, the Village is required to deposit in an account designated "Bond Reserve Account," \$250 each quarter until there is accumulated the sum of \$22,000. Such funds are to be used for payment of bonds and interest as to which otherwise be default.

Note 5 – Proprietary Fund Fixed Assets

	Enterprise	
	Water	Sewer
Plant, property & equipment	1 006 779 84	3 713 446 00
Less accumulated depreciation	(371 286 00)	(1 020 796 00)
Net	635 493 84	2 692 650 00

Proprietary Fund fixed assets are depreciated using the straight-line method over the estimated useful lives which are fifty years.

Note 6 – Changes in General Long-Term Debt

	Balance 4/1/03	Additions	Deductions	Balance 3/31/04
General obligation bonds payable	305 000 00	-	25 000 00	280 000 00
Contract payable – plow truck	32 830 00	-	7 700 00	25 130 00
Contract payable – fire truck	57 500 00	-	6 000 00	51 500 00
Total	395 330 00	-	38 700 00	356 630 00

VILLAGE OF DETOUR
Chippewa County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 7 – General Obligation Bonds Payable

In 1996, the Village of DeTour sold its general obligation bonds. As of March 31, 2004, the outstanding principal balance on the bonds was \$280,000.00 and it is recorded in the General Long-Term Debt Account Group.

<u>Due Date</u>	<u>Principal Amount</u>
10-01-2004	25 000 00
10-01-2005	25 000 00
10-01-2006	30 000 00
10-01-2007	30 000 00
10-01-2008	40 000 00
10-01-2009	40 000 00
10-01-2010	45 000 00
10-01-2011	<u>45 000 00</u>
Total	<u>280 000 00</u>

Note 8 – Contract Payable – Plow Truck

As of March 31, 2004, the principal balance outstanding was \$25,130.00 and it is recorded in the General Long-Term Debt Account Group. Annual payments are \$9,302.00, including interest at 6.2% per annum.

Note 9 – Contract Payable – Fire Truck

As of March 31, 2004, the principal balance outstanding was \$51,500.00 and it is recorded in the General Long-Term Debt Account Group. The interest rate is 4.75% per annum.

<u>Due Date</u>	<u>Principal Amount</u>
5-01-2005	3 000 00
5-01-2006	3 000 00
5-01-2007	3 000 00
5-01-2008	4 000 00
5-01-2009	4 000 00
5-01-2010	4 000 00
5-01-2011	4 000 00
5-01-2012	4 000 00

VILLAGE OF DETOUR
Chippewa County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 9 – Contract Payable – Fire Truck (continued)

<u>Due Date</u>	<u>Principal Amount</u>
5-01-2013	4 250 00
5-01-2014	4 250 00
5-01-2015	4 500 00
5-01-2016	4 750 00
5-01-2017	<u>4 750 00</u>
Total	<u><u>51 500 00</u></u>

Note 10 – Water Revenue Bonds Payable

In 1972, the Village of DeTour sold its bonds to fund the construction of the water system. As of March 31, 2004, the outstanding principal on the bonds was \$59,000.00 and it is recorded in the Water Fund.

<u>Due Date</u>	<u>Principal Amount</u>
1-01-2005	6 000 00
1-01-2006	6 000 00
1-01-2007	7 000 00
1-01-2008	8 000 00
1-01-2009	8 000 00
1-01-2010	8 000 00
1-01-2011	8 000 00
1-01-2012	<u>8 000 00</u>
Total	<u><u>59 000 00</u></u>

VILLAGE OF DETOUR
Chippewa County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 11 – Sewer Revenue Bonds Payable

In 1970, the Village of DeTour sold its bonds to fund the construction of the sewer system. As of March 31, 2004, the outstanding principal balance on the bonds was \$240,000.00 and it is recorded in the Sewer Fund.

<u>Due Date</u>	<u>Principal Amount</u>
1-01-2005	15 000 00
1-01-2006	15 000 00
1-01-2007	15 000 00
1-01-2008	15 000 00
1-01-2009	15 000 00
1-01-2010	15 000 00
1-01-2011	15 000 00
1-01-2012	15 000 00
1-01-2013	20 000 00
1-01-2014	20 000 00
1-01-2015	20 000 00
1-01-2016	20 000 00
1-01-2017	20 000 00
1-01-2018	<u>20 000 00</u>
Total	<u>240 000 00</u>

Note 12 – Transfers In and Transfers Out

For the fiscal year ended March 31, 2004, the Village made the following interfund transfers:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
Local Street	12 551 43	Major Street	12 551 43
Local Street	<u>1 135 00</u>	General	<u>1 135 00</u>
Total	<u>13 686 43</u>	Total	<u>13 686 43</u>

Note 13 – Deferred Compensation Plan

The Village does not have a deferred compensation plan.

VILLAGE OF DETOUR
Chippewa County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 14 – Pension Plan

The Village does not have a pension plan.

Note 15 – Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Village has purchased commercial insurance for property loss, torts, and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 16 – Segment Information for Enterprise Funds

The Village maintains two Enterprise Funds which provide water and sewer services. Segment information for the year ended March 31, 2004, is as follows:

	<u>Water Fund</u>	<u>Sewer Fund</u>
Operating revenues	104 603 00	70 204 01
Depreciation expense	14 314 00	46 418 00
Net income (loss)	16 260 78	3 055 93
Contributed capital	522 506 00	2 396 386 00
Net working capital	155 511 37	39 829 09
Operating income (loss)	10 260 07	(27 403 64)
Bonds payable	59 000 00	240 000 00
Net working capital	9 061 45	266 99
Total equity	613 051 78	2 521 820 93

VILLAGE OF DETOUR
Chippewa County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 17 – Building Permits

The Village of DeTour does not issue building permits. Building permits are issued by the County of Chippewa.

Note 18 – Total Columns on Combined Statements--Overview

The total columns on the combined financial statements are captioned “Memorandum Only” to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

VILLAGE OF DETOUR
Chippewa County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS EXHIBIT F
March 31, 2004

	M.V.H. Major Street	M.V.H. Local Street	Housing	Total (Memorandum Only)
<u>Assets</u>				
Cash in bank	79 667 70	22 744 30	8 831 00	111 243 00
Accounts receivable	-	-	2 434 00	2 434 00
Due from other units	9 942 84	3 718 14	-	13 660 98
Total Assets	89 610 54	26 462 44	11 265 00	127 337 98
<u>Liabilities and Fund Balances</u>				
Liabilities	-	-	-	-
Total liabilities	-	-	-	-
Fund balances:				
Unreserved:				
Undesignated	89 610 54	26 462 44	11 265 00	127 337 98
Total fund balances	89 610 54	26 462 44	11 265 00	127 337 98
Total Liabilities and Fund Balances	89 610 54	26 462 44	11 265 00	127 337 98

VILLAGE OF DETOUR
Chippewa County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS EXHIBIT G
Year Ended March 31, 2004

	M.V.H. Major Street	M.V.H. Local Street	Housing	Total (Memorandum Only)
Revenues:				
State revenue sharing	56 647 82	21 574 06	-	78 221 88
Interest	557 43	103 80	-	661 23
Miscellaneous	2 613 65	-	-	2 613 65
Total revenues	59 818 90	21 677 86	-	81 496 76
Expenditures:				
Public works:				
Highways and streets:				
Routine maintenance	9 254 92	7 778 01	-	17 032 93
Winter maintenance	15 601 11	9 495 17	-	25 096 28
Administration	12 619 90	2 972 67	-	15 592 57
Total expenditures	37 475 93	20 245 85	-	57 721 78
Excess of revenues over expenditures	22 342 97	1 432 01	-	23 774 98
Other financing sources (uses):				
Operating transfers in	-	13 686 43	-	13 686 43
Operating transfers out	(12 551 43)	-	-	(12 551 43)
Total other financing sources (uses)	(12 551 43)	13 686 43	-	1 135 00
Excess of revenues and other sources over expenditures and other uses	9 791 54	15 118 44	-	24 909 98
Fund balances, April 1	79 819 00	11 344 00	11 265 00	102 428 00
Fund Balances, March 31	89 610 54	26 462 44	11 265 00	127 337 98

VILLAGE OF DETOUR
Chippewa County, Michigan

COMBINING BALANCE SHEET – ALL ENTERPRISE FUNDS
March 31, 2004

EXHIBIT H

	Water	Sewer	Total
<u>Assets</u>			
Current assets:			
Cash in bank	9 255 68	9 544 75	18 800 43
Cash on hand	50 00	50 00	100 00
Accounts receivable	5 755 77	5 672 24	11 428 01
Total current assets	15 061 45	15 266 99	30 328 44
Other assets:			
Cash in bank – restricted	21 496 49	53 903 94	75 400 43
Total other assets	21 496 49	53 903 94	75 400 43
Fixed assets:			
Property & equipment	1 006 779 84	3 713 446 00	4 720 225 84
Less accumulated depreciation	(371 286 00)	(1 020 796 00)	(1 392 082 00)
Net fixed assets	635 493 84	2 692 650 00	3 328 143 84
Total Assets	672 051 78	2 761 820 93	3 433 872 71
<u>Liabilities and Fund Equity</u>			
Current liabilities:			
Current portion of long-term liabilities	6 000 00	15 000 00	21 000 00
Total current liabilities	6 000 00	15 000 00	21 000 00
Long-term liabilities:			
Bonds payable	59 000 00	240 000 00	299 000 00
Less current portion	(6 000 00)	(15 000 00)	(21 000 00)
Total long-term liabilities	53 000 00	225 000 00	278 000 00
Fund equity:			
Contributed capital	522 506 00	2 396 386 00	2 918 892 00
Retained earnings:			
Reserved	21 496 49	53 903 94	75 400 43
Unreserved	69 049 29	71 530 99	140 580 28
Total fund equity	613 051 78	2 521 820 93	3 134 872 71
Total Liabilities and Fund Equity	672 051 78	2 761 820 93	3 433 872 71

VILLAGE OF DETOUR
Chippewa County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN RETAINED EARNINGS – ALL ENTERPRISE FUNDS

EXHIBIT I

Year Ended March 31, 2004

	Water	Sewer	Total
Operating revenues:			
Service charges	82 029 90	67 019 48	149 049 38
Hydrant rental	19 600 00	-	19 600 00
Miscellaneous	2 973 10	3 184 53	6 157 63
Total operating revenues	104 603 00	70 204 01	174 807 01
Less operating expenses:			
Wages	32 058 16	23 705 40	55 763 56
Fringe benefits	10 772 63	10 167 14	20 939 77
Insurance	4 183 65	4 183 60	8 367 25
Supplies	17 717 35	4 107 51	21 824 86
Repairs and maintenance	9 311 65	3 726 56	13 038 21
Contracted services	650 00	450 00	1 100 00
Utilities	4 987 51	4 657 44	9 644 95
Miscellaneous	347 98	192 00	539 98
Total operating expenses before depreciation	80 028 93	51 189 65	131 218 58
Operating income before depreciation	24 574 07	19 014 36	43 588 43
Less: depreciation	(14 314 00)	(46 418 00)	(60 732 00)
Operating income (loss)	10 260 07	(27 403 64)	(17 143 57)
Nonoperating revenues and (expenses):			
Amortization	8 938 00	41 312 00	50 250 00
Interest income	357 09	1 614 04	1 971 13
Interest expense	(3 294 38)	(12 466 47)	(15 760 85)
Total nonoperating revenues and (expenses)	6 000 71	30 459 57	36 460 28
Net income	16 260 78	3 055 93	19 316 71
Retained earnings, April 1	74 285 00	122 379 00	196 664 00
Retained Earnings, March 31	90 545 78	125 434 93	215 980 71

VILLAGE OF DETOUR
Chippewa County, Michigan

COMBINING STATEMENT OF CASH FLOWS – ALL ENTERPRISE FUNDS

Year Ended March 31, 2004

EXHIBIT J

	Water	Sewer	Total
Cash flows from operating activities:			
Cash received from customers	76 304 29	61 641 24	137 945 53
Cash payments to suppliers for goods and services	(47 970 77)	(27 484 25)	(75 455 02)
Cash payments to employees for services	(32 058 16)	(23 705 40)	(55 763 56)
Other operating receipts	22 573 10	3 184 53	25 757 63
Net cash provided (used) for operating activities	18 848 46	13 636 12	32 484 58
Cash flows from capital and related financing activities:			
Principal paid on bonds	(6 000 00)	(10 000 00)	(16 000 00)
Interest paid on bonds	(3 294 38)	(12 466 47)	(15 760 85)
Net cash provided (used) for capital and related financing activities	(9 294 38)	(22 466 47)	(31 760 85)
Cash flows from investing activities:			
Interest income	357 09	1 614 04	1 971 13
Net cash provided (used) for investing activities	357 09	1 614 04	1 971 13
Net increase (decrease) in cash and cash equivalents	9 911 17	(7 216 31)	2 694 86
Cash and cash equivalents, April 1	20 891 00	70 715 00	91 606 00
Cash and Cash Equivalents, March 31	30 802 17	63 498 69	94 300 86
Reconciliation of operating income to net cash provided (used) for operating activities:			
Operating income (loss)	10 260 07	(27 403 64)	(17 143 57)
Depreciation	14 314 00	46 418 00	60 732 00
Increase (decrease) in assets and liabilities:			
Accounts receivable	(5 725 61)	(5 378 24)	(11 103 85)
Net Cash Provided (Used) for Operating Activities	18 848 46	13 636 12	32 484 58

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

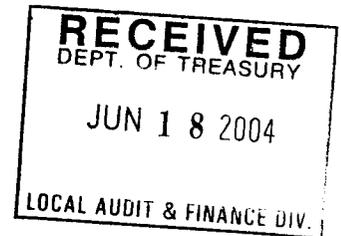
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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

May 28, 2004

To the Village Council
Village of DeTour
Chippewa County, Michigan



We have audited the financial statements of the Village of DeTour, for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Village of DeTour in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

To the Village Council
Village of DeTour
Chippewa County, Michigan

For this purpose, materiality has been defined as “the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgement of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.”

An independent auditor’s objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor’s work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, “in our opinion.”

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management’s current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

To the Village Council
Village of DeTour
Chippewa County, Michigan

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Village of DeTour will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Village will be required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Village's financial statements and this communication of these matters does not affect our report on the Village's financial statements, dated March 31, 2004.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants